

News and Information

From the Tennessee Division of Consumer Affairs

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**Weekly Column by David McCollum, Director
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Monsters in Your Mailbox

The sweat dripping from your brow after the walk down the driveway for the paper reminds you it is August. Colleges are preparing to reopen their hallowed halls, and young adults are packing their belongings for the fall semester. With the wonders of education come the dangers of hazing, binge drinking, and, yes, credit card debt.

Those monsters in the mailbox (also known as credit card solicitations) will seek out your children while they are beyond your watchful eyes, and attack them in their lonely, mail-deprived condition. (Parents: cut out this article and give it to your college age kids. Students: the rest of this is for you.)

Be extremely careful when considering a credit card account. Plastic makes it easy to overspend. Students often charge up to the credit limit and can only afford to make the minimum payments. With interest, fees, etc., the credit card becomes an expense rather than an aid. You will have enough debt at the end of college without making a credit card part of the problem. Consider opening a checking account with a debit card first. Most banks offer this service free of charge, and it provides the opportunity to develop spending discipline.

When you're ready for the credit card, take into consideration all the ways you will be charged for using it. Most of the "pre-approved" notices you get in your campus mailbox come with an annual fee or a processing fee. Sometimes that amount is almost as high as the limit.

Choose a card with no annual fee, a low interest rate, and a grace period. A "grace period" is the amount of time you have between making charges and accruing interest. If at all possible, pay the bill during this time. Once the interest begins to accrue, the items you bought become more expensive by the day. You should also make certain payments are on time. There are fees for late payments, and it may raise your interest rate.

If you have questions or concerns regarding credit cards or any other consumer issue, contact the Tennessee Division of Consumer Affairs at 1-800-342-8385 or visit www.state.tn.us/consumer.